

20 JUL 1972

MEMORANDUM FOR: Chief, Planning Staff, OL

ATTENTION :

[REDACTED]

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SUBJECT :

Agency Annual Report

PMS

This constitutes the Procurement Management Staff, OL (PMS/OL), input to the Agency's annual report.

ACCOMPLISHMENTS

1. Procurement Management Staff assisted the Office of Training in developing a requirement for a training course entitled, The Project Officer in the Contract Cycle. The course is conducted jointly by a consulting firm, OL, and DD/S&T personnel. Approximately 100 project officers attended the course in FY 1972. The purpose of the course is to enhance the project officer's understanding of the regulatory bases under which Agency contracts are awarded and administered.
2. PMS/OL was tasked with the responsibility of providing the Executive Director-Comptroller with periodic reports on the Agency procurement system. The FY 1972 annual report provided statistical comparisons of procurement activities in FY 1971 and 1972, highlights of the past year, and planning for FY 1973.
3. The upgrading of the Contract Information System (CONIF) began in November 1971 with the introduction of a new software package, General Information Management System (GIMS), [REDACTED]. Testing of GIMS is practically complete. Approximately 38,000 contract actions out of a total of 42,000 contract actions have been input to the system. We expect OL's portion of the upgraded CONIF to be completely operational on or about 31 July 1972.

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CLASSIFIED BY 0901-14

EXEMPT FROM GENERAL DECLASSIFICATION
OF E. O. 11652, EXEMPTION CATEGORY:
S 5B(1), (2), (3) or (4) (circle one or more)
AUTOMATICALLY DECLASSIFIED ON

(unless impossible, insert date or event)

WARNING NOTICE
SENSITIVE INTELLIGENCE SOURCES
AND METHODS INVOLVED

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SECRET

SUBJECT: Agency Annual Report

4. The Office of Logistics accepted responsibility for conducting patent novelty searches on those employee inventions which are recommended to it by the Agency Patent Advisory Board. In FY 1972, 14 patent novelty searches were undertaken by outside patent attorneys. Eleven of the searches concluded with recommendations for the prosecution of patent applications.

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AHEAD

1. In FY 1973, PMS/OL will undertake:
 - a. Management surveys of the several contracting elements to identify areas requiring management attention.
 - b. A study to define a practical procurement planning system which accords with applicable laws and regulations.
 - c. A study to define selected financial and technical performance management reporting systems to be employed in the performance and administration of Agency contracts.
 - d. A study to determine the feasibility of adding information to CONIF on contractor proposals and contacts with active or potential Agency contractors by Agency personnel.

2. The Office of Logistics intends to closely monitor the policy directive on procurement planning set forth in the Executive Director-Comptroller's memorandum dated 7 March 1972, Yearend Procurement Funding. Adherence to the directives contained therein should materially reduce peaking of procurement activity in the last quarter of the fiscal year.

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Acting Chief
Procurement Management Staff, OL

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PD

Section 11

Cost Reductions Achieved through use of Contractor Capital-
Employed Technique in Negotiation of Profit on Individual Contracts

The Armed Services Procurement Regulations will shortly incorporate a clause providing for optional use of a new profit policy which will give proper acknowledgment to capital investment made by contractors. While this return on investment technique for negotiation of profit has been used to some extent by the Procurement Division for some time, it is now being used more extensively and effectively. As an example, OL/PD's use of this technique on just three (3) cases during the month of June 1972 resulted in negotiated firm-fixed-price savings of \$546,584., on proposals totaling \$4,421,805.

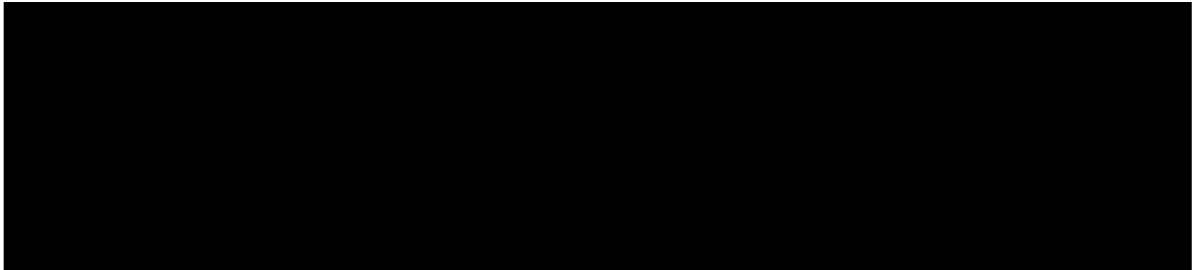
PD

Increased Efficiency in OL/PD Procurement

Section 17

During fiscal year 1961 Procurement Division, OL, with a staff of an

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This is actually more dramatic than it appears on its face because Agency procurement has tended to become more sophisticated and time consuming particularly during the past several years. Needless to say, these statistics tend to show that in fiscal year '61 it took some 70% more people to accomplish somewhat less work than in fiscal year 1972.

6/1/72

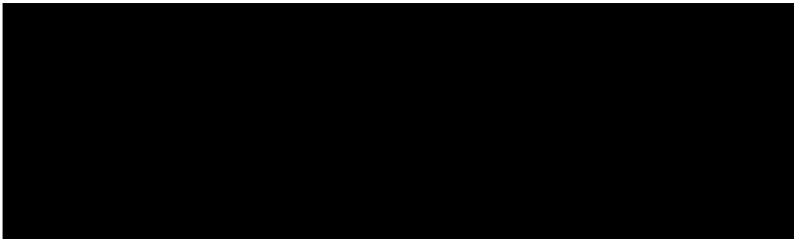
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PD Section III

The Persistent Overwhelming Fiscal Year-End Work Volume

For years OL/Procurement Division tried to have action taken to spread the procurement requests over the entire fiscal year rather than have them come in heavily in the fourth quarter, particularly in June. The following chart of June activity over the past three fiscal years attests to the lack of success in this endeavor:

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<u>Fiscal Year</u>	<u>June Dollars</u>	<u>Total Dollars</u>	<u>Percent of Dollars in June</u>
1970			
1971			
1972			

* 25+ % (1/4th) of the total FY's Dollars in approximately 8% of the time (1/12th).

100% held for PMS input